

Statement of Considerations

REQUEST BY WESTINGHOUSE POWER GENERATION, A
FORMER DIVISION OF CBS CORPORATION, FOR AN
ADVANCE WAIVER OF DOMESTIC AND FOREIGN RIGHTS
IN SUBJECT INVENTIONS MADE IN THE COURSE OF OR
UNDER DEPARTMENT OF ENERGY COOPERATIVE
AGREEMENT NO. DE-FC21-95MC32267; DOE WAIVER
DOCKET W(A)-96-002 [ORO-620]

Westinghouse Power Generation, a former division of CBS Corporation (hereinafter referred to as "the Participant"), has made a timely request for an advance waiver of worldwide rights in Subject Inventions made in the course of or under Department of Energy (DOE) Cooperative Agreement No. DE-FC21-95MC32267. The goal of this project is to continue development of the advance turbine system (ATS) technology and address the key barrier issues to its commercialization. In particular, the Participant will demonstrate (at an appropriate scale) the technology readiness of parts and subsystems critical to its gas-fired ATS. The work is sponsored by the Office of Fossil Energy. This cooperative agreement is Phase 3 of DOE's ATS program. The original recipient of the cooperative agreement was the Westinghouse Electric Corporation, which subsequently changed its name to CBS Corporation.

The total value of the cooperative agreement as awarded is \$265,957,545, to be carried out over approximately 4 years. DOE's cost share is \$119,104,826 or 44.8%, and the Participant's cost share is \$146,852,719 or 55.2%, with funding for each budget period contingent upon DOE approval of a continuation proposal to be submitted by the Participant. However, DOE and the Participant have negotiated a revised Phase 3 extension that has a reduced scope of work. As a result, the total negotiated value of the cooperative agreement will be reduced to \$123,729,473, with DOE's cost share being \$77,243,706 or 62.4% and the Participant's cost share being \$46,485,767 or 37.6%.

The Participant is technically competent in the field of technology of the subject cooperative agreement. As mentioned in its response to question 4 of the updated waiver petition dated May 29, 1998, the Participant is a long-standing global leader in the design and manufacture of high performance combustion turbine generators. Since introducing the first industrial combustion turbine in the late 1940's, the Participant has successfully introduced and marketed 19 distinct combustion turbine models resulting in over 1500 Participant-designed combustion turbines in operation world-wide. The ATS engine will be the next model in a series of very successful, large heavy-duty gas turbines developed by the Participant. Also indicative of the Participant's continual advancement of combustion turbine technology, the Participant has an extensive patent portfolio (see the list of Participant-owned patents in Attachment 1 to the updated waiver petition). The Participant has developed an aggressive commercialization plan that is aimed at getting ATS technology into the commercial market in the shortest possible time.

Therefore, the Participant's experience, expertise and commitment will contribute substantially to commercialization of the inventions made under the cooperative agreement.

As a major national and international supplier of power generation equipment, the Participant has an established commercial position in the power generation field. It is the second largest commercial supplier of power generation gas turbines in the United States and the fourth single largest supplier in the world. Since 1990, the Participant has invested over \$200 million in U.S. manufacturing facilities and over \$180 million in Advanced Combustion Turbine Technology. The Participant has commercialized innovative technology that has allowed the utility industry to continually improve economics, while generating environmentally safe and reliable electric power. Its utility turbines are sold as commercial items to electric utilities, independent power producers and industrial entities that generate their own power and heat source.

The cooperative agreement has been executed and is proceeding with the standard DOE long form Patent Rights clause. The Participant has approved the Patent Rights - Waiver terms and conditions (see Attachment A), and upon approval of this waiver request, that waiver clause will be incorporated into the cooperative agreement as a no-cost modification.

The Patent Rights - Waiver clause accepted by the Participant includes march-in rights (35 U.S.C. § 203), the granting of licenses to background patents necessary for practicing subject inventions, retention by the Government of a license (35 U.S.C. § 202(c)(4)), preference for U.S. industry (35 U.S.C. § 204), and U.S. Competitiveness provisions. The clause also contains a provision requiring the Participant to obtain DOE approval of any transfer or other alienation of any intellectual property first specifically developed by the Participant in the performance of the work funded under the DOE ATS Program -- including technical data and subject inventions -- (hereafter termed "Intellectual Property") to any foreign company or American subsidiary of a foreign company. Such approval is contingent on agreement by the company to whom such rights are transferred or otherwise alienated to substantially manufacture any specifically developed ATS products embodying any such Intellectual Property or produced through the use of any such Intellectual Property in the United States. In the event the company acquiring such rights does not meet the substantial United States manufacture requirement, the clause provides for repayment of the funds contributed by DOE to all phases of the Participant's ATS program, licensing or return to DOE of foreground Intellectual Property and licensing of background Intellectual Property.

Granting of the waiver should have little effect on competition and market concentration since this is one of many previously or yet-to-be developed similar technologies in the marketplace. Another company has a cooperative agreement with DOE to develop competing turbines and has been granted a waiver, and other companies are developing similar technologies without DOE assistance, therefore there should not be undue market concentration of the Participant's products. Further, grant of the waiver will increase the Participant's incentive to develop ATS technologies, and thus improve the lifetimes and efficiencies of combustion turbine engines. The Participant requires a substantial degree of exclusivity to protect the initial commitment of resources necessary to bring subject inventions to commercialization. However, according to its

response to question 9 of the updated waiver petition, the Participant also has a generally accepted and long standing corporate policy to license its technology on fair and reasonable terms to responsible parties. Thus, it is not the Participant's intention to exclude others from the field, but the degree of exclusivity requested will protect the risk capital needed to bring the technology represented by the subject inventions to the public.

DOE recognizes that the Participant may acquire any rights including title to inventions conceived or first actually reduced to practice by lower-tier subcontractors during the performance of these subcontracts. The rights so acquired by the Participant may be in excess of those required solely to fulfill the Participant's contract obligations to the Government in the performance of this cooperative agreement. Acquisition of such rights shall be through direct arms-length negotiation with these subcontractors. However, the Participant shall not, as part of the consideration for awarding any subcontract, obtain rights in subcontractor's subject inventions.

On August 20, 1998, CBS Corporation sold Westinghouse Power Generation to Siemens Power Generation Corporation. The new entity is named the Siemens Westinghouse Power Corporation, is incorporated in Delaware and has its headquarters in Orlando, Florida. CBS Corporation has requested that DOE enter into a novation agreement with CBS and Siemens Westinghouse, to transfer responsibility for the performance of the subject cooperative agreement to Siemens Westinghouse. If the novation occurs, the financial commitments made by CBS under the subject cooperative agreement will be assumed by the new corporation, and Siemens Power Generation will make available significant background information for incorporation into the ATS system and process. To the extent this background information is subject to the data and patent provisions of the cooperative agreement, the Government will get rights in it.

CBS has requested DOE's approval to assign any rights to Subject Inventions granted by this waiver to Siemens Westinghouse, in the event the novation is approved. Siemens has agreed to comply with the terms and conditions of the Patent Rights - Waiver clause approved by the Participant (see Attachment A), including the provisions for licensing of background patents and data. DOE hereby grants its approval to transfer this waiver to the Siemens Westinghouse Power Corporation upon completion of a favorable determination under Section 2306 of the Energy Policy Act and the subsequent novation of the subject cooperative agreement. No rights granted under this waiver to CBS shall transfer to Siemens Westinghouse until a favorable Section 2306 determination has been completed and the cooperative agreement has been formally novated.

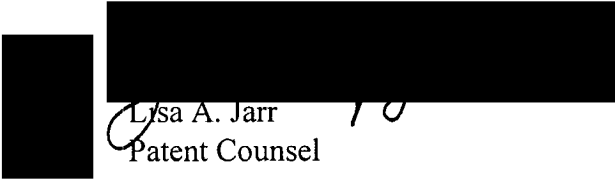
As described in Attachment 2 to the waiver petition dated May 29, 1998, Siemens Power Corporation is a well known name in power generation with over 150 years of technology development efforts to improve the economics and efficiency of producing electricity. Siemens has a global presence in the design and supply of steam, combined cycle and hydro power plants, and of power generation equipment and control systems. Indicative of Siemens' continual advancement of combustion turbine technology, Siemens has an extensive patent portfolio (see the list of Siemens-owned patents in Attachment 3 to the waiver petition). Although Siemens

power generation business headquarters is located in Germany, it is well established as a major company in the United States, with nearly 50,000 U.S. employees in a wide range of electrical and electronic manufacturing fields. Thus, the resulting Siemens Westinghouse Power Corporation unites two of the most famous names in electrical equipment manufacturing history. Siemens Westinghouse expects to implement the aggressive commercialization plan developed by CBS. The combined experience, expertise and commitment of Siemens and CBS will contribute substantially to commercialization of the inventions made under the cooperative agreement.

As a composite of two major national and international suppliers of power generation equipment, the Siemens Westinghouse Power Corporation has an established commercial position in the power generation field. The new corporation will remain committed to the development of efficient power systems that operate in an environmentally sound manner. In the past, both companies have commercialized innovative technology that has allowed the utility industry to continually improve economics, while generating environmentally safe and reliable electric power. The formation of the new corporation is expected to accelerate the process of bringing the results of the DOE-sponsored ATS program to the marketplace through, among other things, access to additional project financing, which will allow an expansion of the business above CBS's corporate resources. The new corporation will sell combustion turbines as commercial items to electric utilities, independent power producers (non-utility power producers), and to industrial entities that generate their own power and heat sources.

The transfer of the waiver to the Siemens Westinghouse Power Corporation should have little effect on competition and market concentration. Siemens Westinghouse, as the successor of CBS, is in a better position to promote commercialization of the ATS technology but is not in a dominant position in the field. As noted above, another company has a cooperative agreement with DOE to develop competing turbines and has been granted a waiver, and other companies are developing similar technologies without DOE support. Thus, transfer of the waiver will not preclude competitors from competing for the same markets, but should allow Siemens Westinghouse to remain competitive in a global marketplace and will increase Siemens Westinghouse's incentive to develop ATS technologies. Siemens Westinghouse requires a substantial degree of exclusivity to protect the initial risk capital needed to commercialize the subject inventions. However, subject to the terms of the waiver, the new corporation agrees that the technology developed under this cooperative agreement will be licensed on reasonable terms to responsible parties, including its subcontractors under the subject cooperative agreement.


In view of the acceptable level of cost sharing by the petitioner, and the objectives and considerations set forth in 10 CFR 784, all of which have been considered, it is recommended that the requested waiver for worldwide rights be granted to CBS Corporation. Further, it is recommended that, upon completion of a favorable determination under Section 2306 of the Energy Policy Act and completion of the novation, the waiver be transferred to the Siemens Westinghouse Power Corporation.



Lisa A. Jarr
Patent Counsel

Based on the foregoing Statement of Considerations and the representations in the attached Waiver Petition, it is determined that the interest of the United States and the general public will best be served by a waiver of U.S. and foreign patent rights, and therefore, the waiver is granted to the CBS Corporation. This waiver shall not apply to a modification or extension of the cost-shared cooperative agreement where, through such a modification or extension, the purpose, scope or cost of the cooperative agreement has been substantially altered. The waiver shall apply to Siemens Westinghouse upon a favorable Section 2306 determination and novation of the cooperative agreement.

CONCURRENCE: 


 George Rudins
Deputy Assistant Secretary
Office of Coal and Power Systems

Date: 9/30/98

APPROVAL:



Paul A. Gottlieb
Assistant General Counsel for Technology
Transfer and Intellectual Property

Date: 9-30-98

(i) Prepares a written decision based upon a review of the record that the invention was neither conceived nor first actually reduced to practice in the course of or under the contract and delivers the decision to Patent Counsel, with a copy to the Contracting Officer; or

(ii) Contending that the subject invention is not a subject invention, the Contractor nevertheless discloses the subject invention and all facts pertinent to this contention to the Patent Counsel, with a copy to the Contracting Officer, or

(iii) Establishes that the failure to disclose did not result from the Contractor's fault or negligence.

(3) Pending written assignment of the patent application and patents on a subject invention determined by the Contracting Officer to be forfeited (such determination to be a Final Decision under the Disputes clause of this contract), the Contractor shall be deemed to hold the invention and the patent applications and patents pertaining thereto in trust for the Government. The forfeiture provision of this paragraph shall be in addition to and shall not supersede any other rights and remedies which the Government may have with respect to subject inventions.

(t) U.S. Competitiveness.

The Contractor agrees that any products embodying any waived invention or produced through the use of any waived invention will be manufactured substantially in the United States, unless the Contractor can show to the satisfaction of DOE that it is not commercially feasible to do so. In the event DOE agrees to foreign manufacture, there will be a requirement that the Government's support of the technology be recognized in some appropriate manner, e.g., recoupment of the Government's investment, etc. The Contractor further agrees to make the above condition binding on any assignee or licensee or any entity otherwise acquiring rights to any waived invention, including subsequent assignees or licensees. Should the Contractor or other such entity receiving rights in any waived invention undergo a change in ownership amounting to a controlling interest, then the waiver, assignment, license, or other transfer of rights in the waived invention is suspended until approved in writing by DOE.